

Our Fiscal Challenges

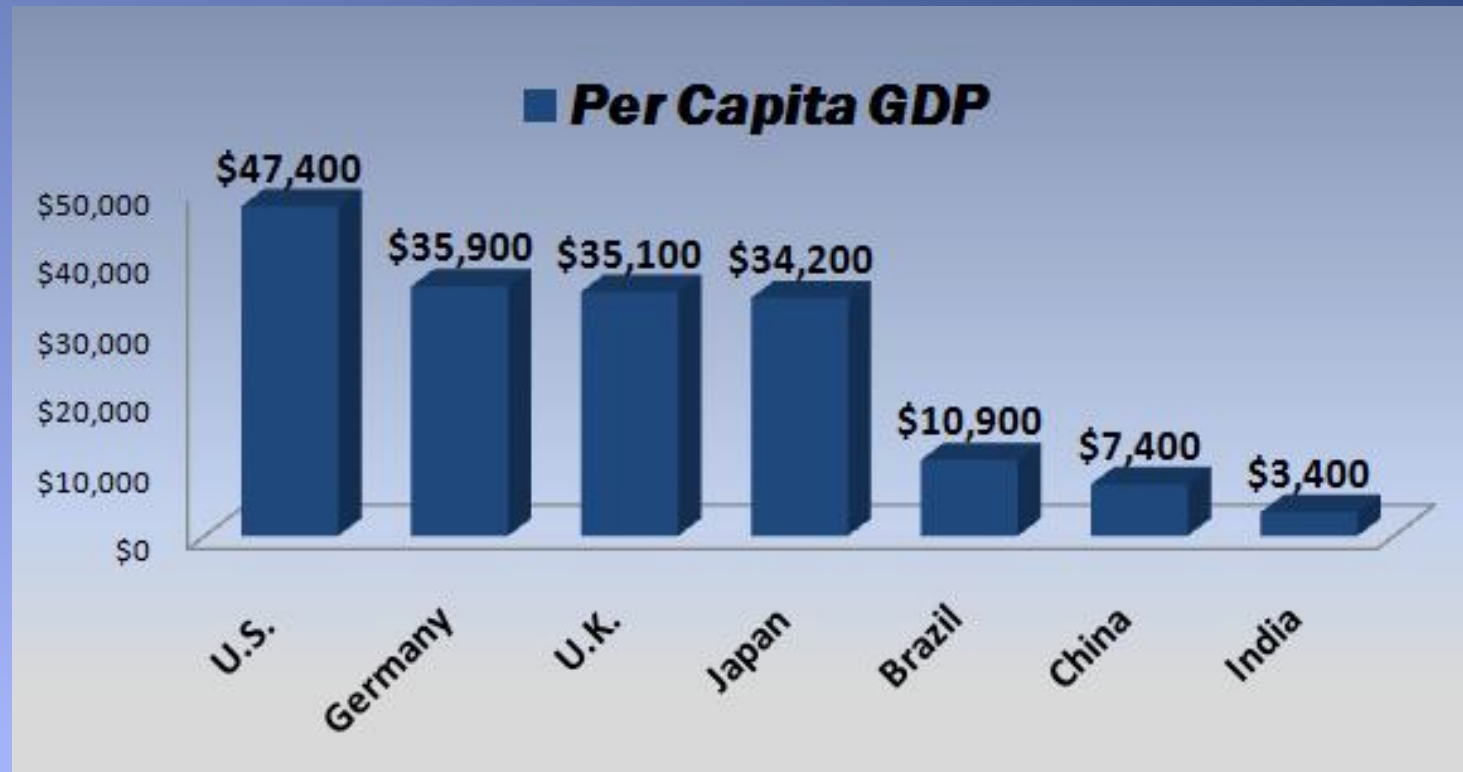
Where Are We?

Where Do We Need to Go?

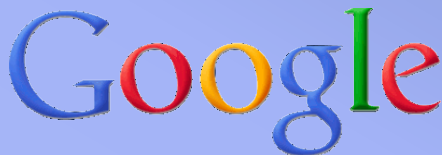


*Town Hall Presentation
Congressman Jim Himes
March 2011*

We have the largest and most innovative economy in the world



Source: Central Intelligence Agency World Fact Book



BOEING



Cracks are starting to show

Infrastructure

U.S. infrastructure construction costs about 2% of GDP

- About half of what Russia spends
- 33 – 40% of what Western Europe spends
- Less than 25% of what China spends

Source: World Economic Forum



Congress Street Bridge, Bridgeport, Connecticut

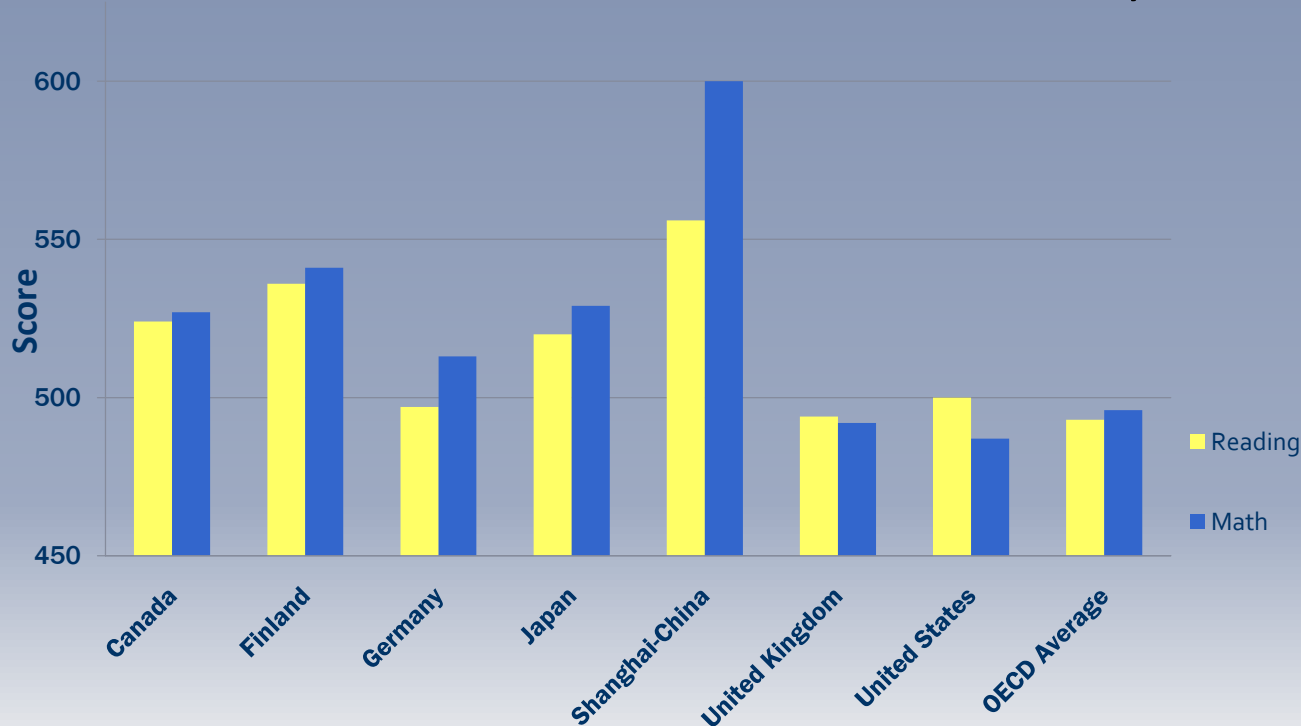
World Economic Forum's Ranking for Infrastructure

Rank (of 138)	Country
1	Hong Kong
2	Germany
3	U.A.E.
8	United Kingdom
9	Canada
15	United States

Cracks are starting to show

Education

International Student Achievement Test Scores, 2009

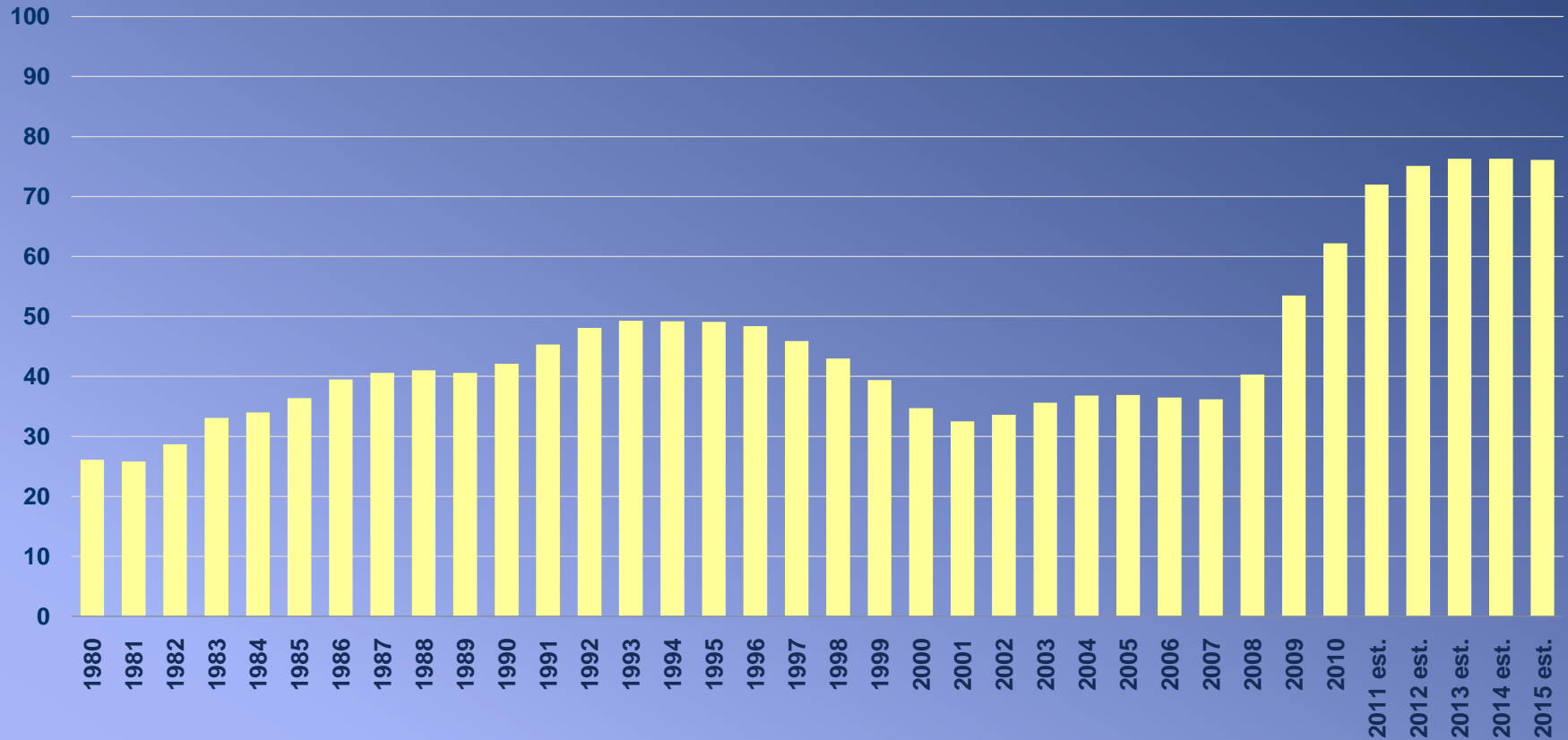


Country	Graduation Rate
Canada	78.9
Finland	96.8
Germany	99.5
Japan	93
United Kingdom	88.7
United States	77.5
Average	82.1

Source: Organization for Economic Co-operation and Development

We are carrying very substantial debt

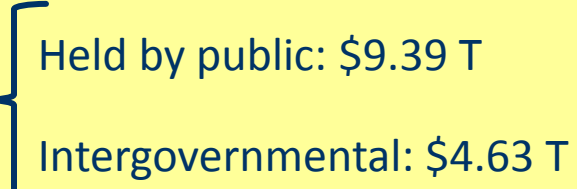
Debt Held by the Public (% of GDP)



Source: Office of Management and Budget Historical Tables

Yet, the debt is not the largest of our challenges

Looking ahead, unfunded liabilities grow quickly under current law.

Category	Liability
Total Public Debt	\$14.03 trillion 
Future Medicare Benefit Debt (Parts A,B and D)	\$31.82 trillion
Future Social Security Debt	\$7.95 trillion

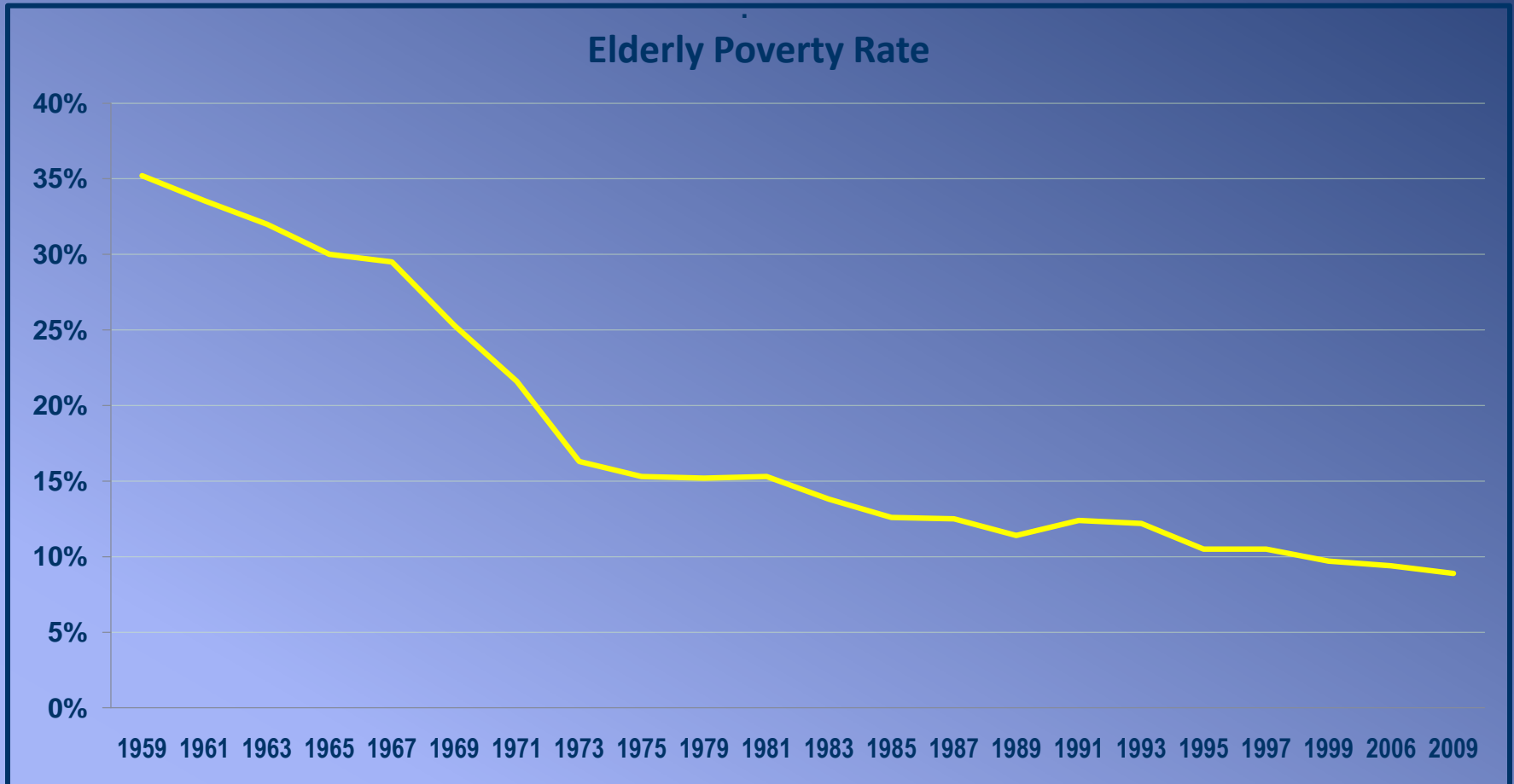
Though subject to scare tactics,
making Social Security
sustainable is *mechanically* easy

Possible reforms include:

- Raising the retirement age
- Increasing worker and employer contributions
- Limited means testing
- Raising the income ceiling
- We did this in 1983

What has Social Security achieved?

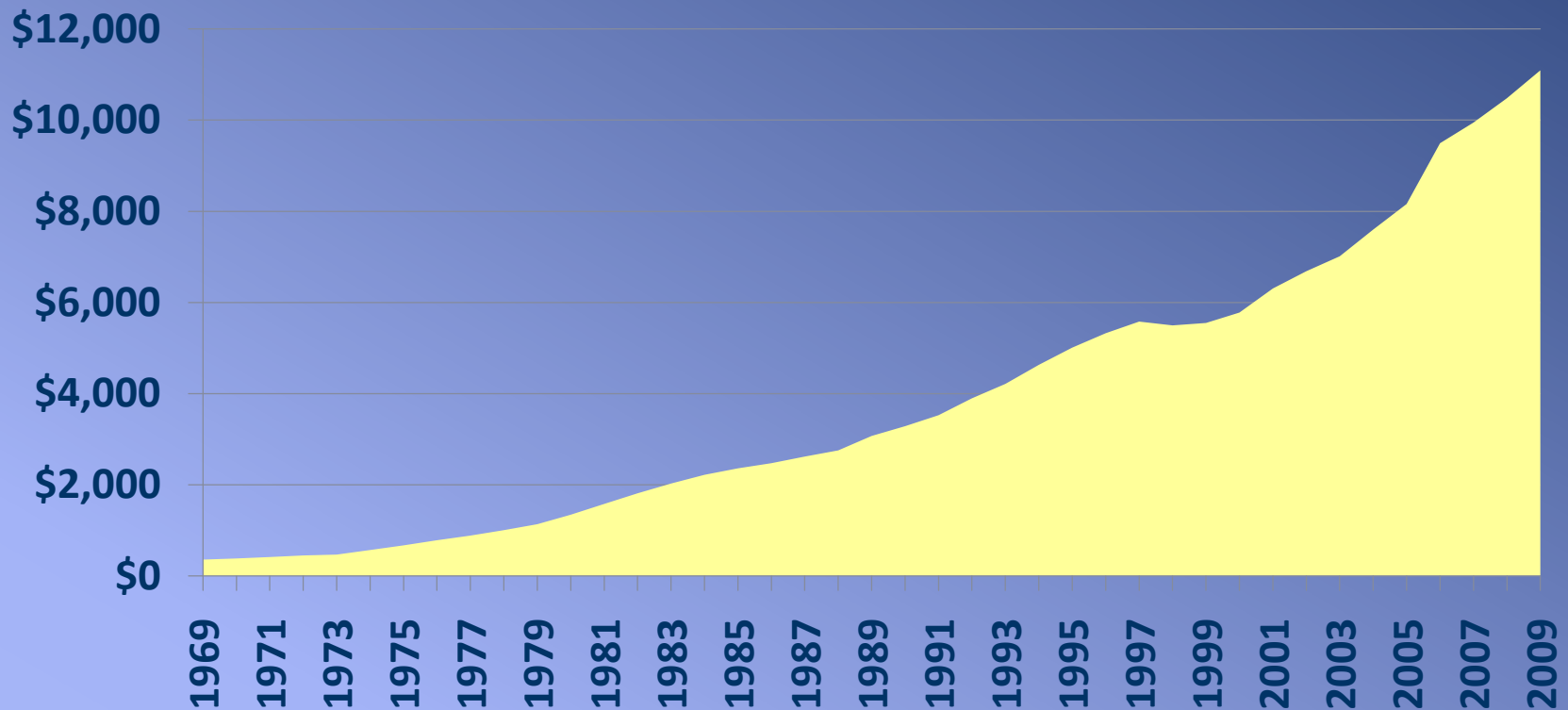
Social Security has significantly reduced the elderly poverty rate.



Source: U.S. Census Bureau







Medicare is much more challenging

Medicare Spending Per Person



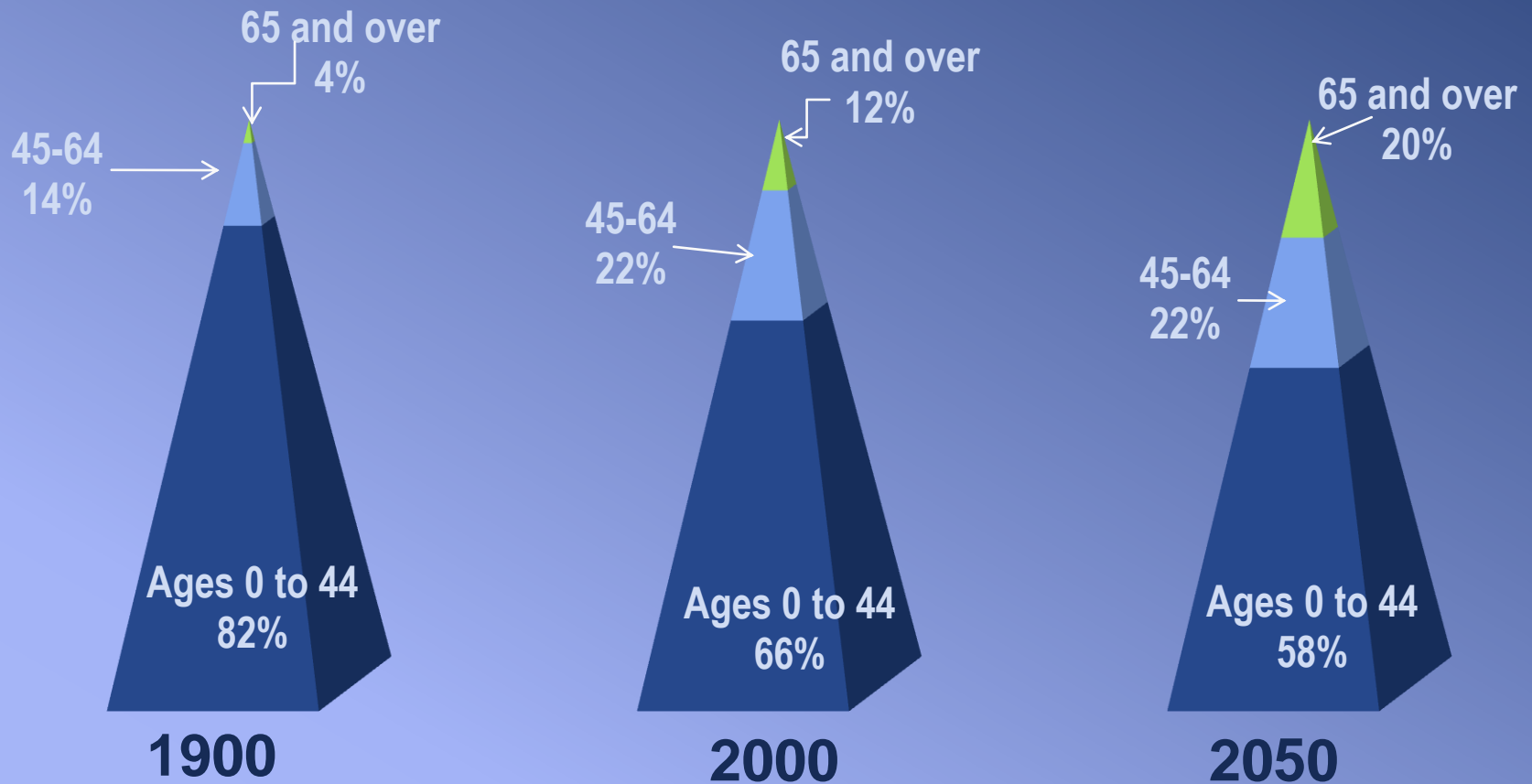
Source: Centers for Medicare and Medicaid Services

Americans spend more on health care than others

	Country	Total Health Expenditures (as a % of GDP)	Total Health Expenditures (per capita in US \$)	Life Expectancy at Birth
	Australia	8.5	\$3353	81.4
	Canada	10.1	\$3867	80.7
	France	11	\$3593	80.9
	Germany	10.4	\$3619	80
	United Kingdom	8.4	\$2990	79.7
	United States	15.7	\$7285	77.9

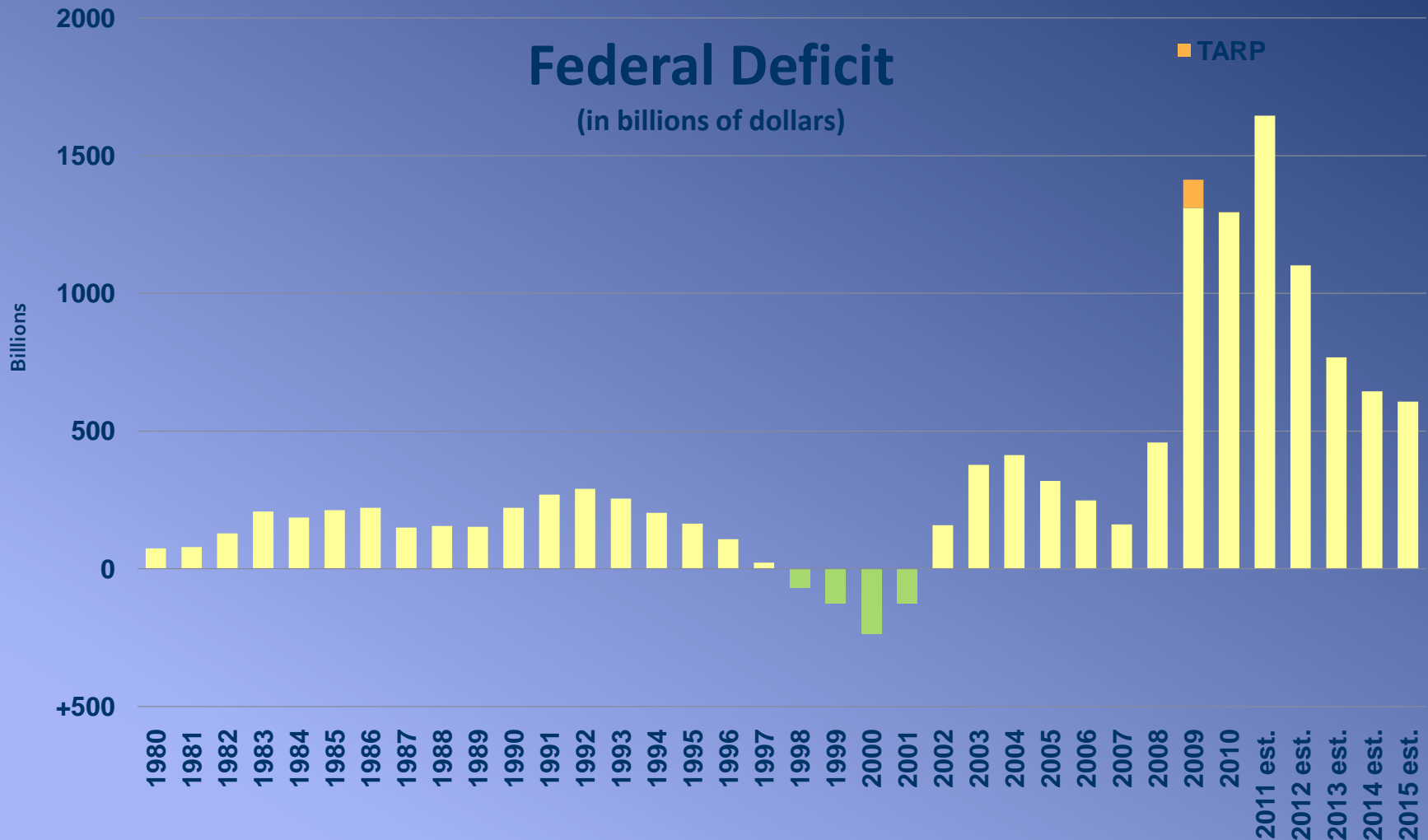
Source: Organization for Economic Co-operation and Development

Demographics are working against us



Source: U.S. Census Bureau

The Budget: How did we get here?



Source: Office of Management and Budget Historical Tables

Why has our debt grown so much?

The recession reduced tax revenue and required more spending on safety-net programs like unemployment insurance and food stamps. A number of other factors have severely strained our budget as well:

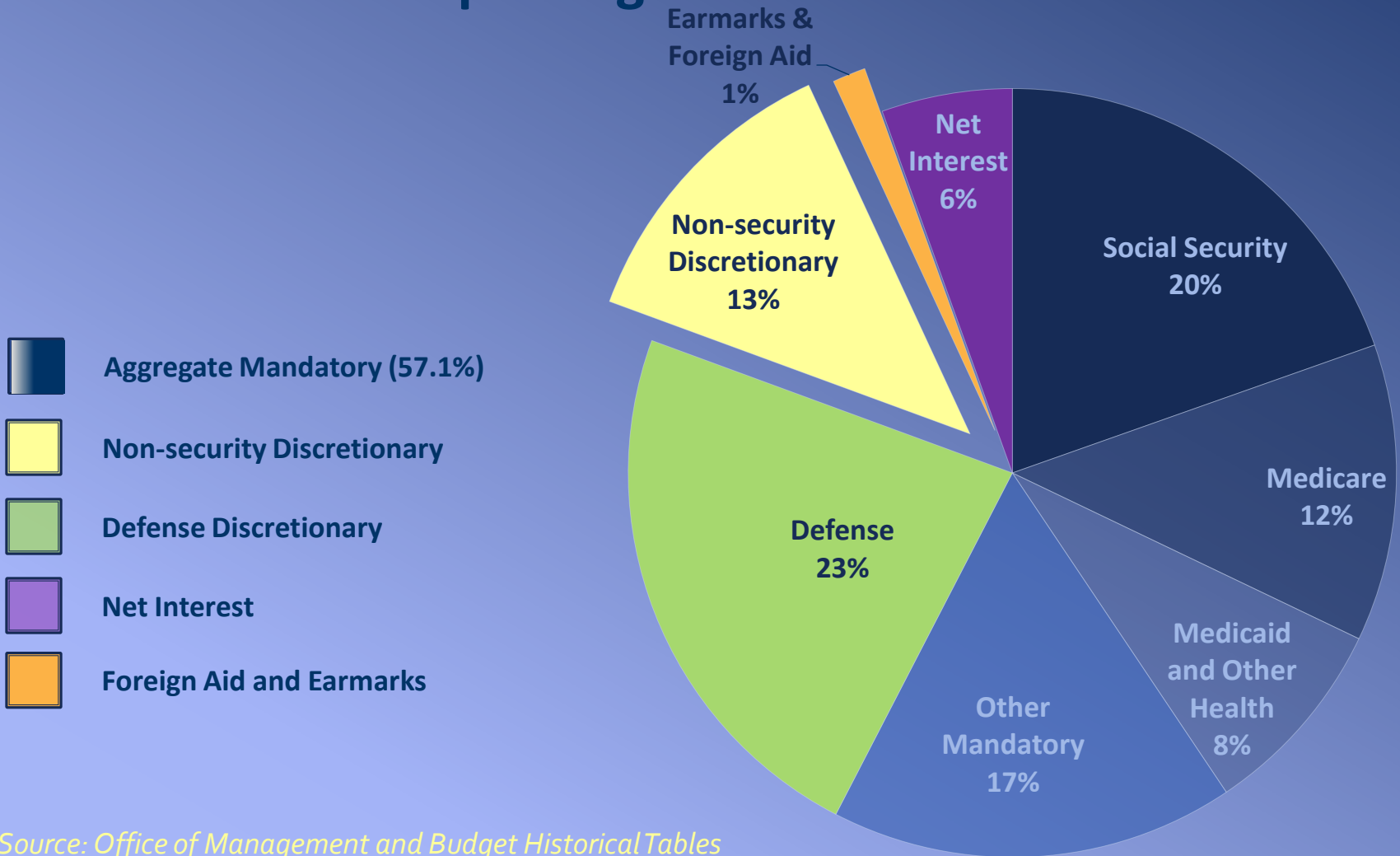
Deficit Spending	Cost to Date	10-year Projection
Tax Cuts 2001-2008	\$2.100 trillion	\$3.6 trillion
Wars in Iraq and Afghanistan	\$1.046 trillion	?
December 2010 Tax Compromise	\$0	\$900 billion*
Stimulus	\$821 billion	\$0
Medicare Part D	\$208 billion	\$1.014 trillion

* two-year projection

Sources: Joint Tax Committee, Congressional Budget Office, Congressional Research Service

So, what do we do? Be Honest

2010 U.S. Federal Spending



Address all federal outlays over time and with fairness

The Simpson-Bowles Commission proposed comprehensive reforms that generated \$4 trillion in savings over 10 years.

- **Cuts to discretionary and security spending**
- **Social Security: slow retirement age increase, limited means testing**
- **Simplification of tax code, including expiration of 01 and 03 tax cuts**

Now?

- Develop a comprehensive plan for sustainability including cuts, tax reform, entitlements
- Don't cut at a speed that slows the economy
- Invest in those things that generate prosperity: education, infrastructure